

2003 EDITION



Employee Insurance Program

- JANUARY 2003 RATES -

*A Composite Analysis of South Carolina's
State Health Plan Standard Option Rates
Compared to State Plans Across The Nation*

From the Publishers of:

TRENDS



South Carolina Budget & Control Board
Division of Insurance & Grants Services



OVERVIEW

Health insurance is perhaps one of the key benefits an employer can offer a prospective employee. Along with salary, location, schools, and other variables, health insurance coverage weighs heavily in the minds of many when contemplating a job opportunity. It is also a factor in deciding when to leave a job.

Employers reap benefits from providing good health benefits. These benefits, when properly utilized, improve the overall health of the employer's workforce, which leads to improvements in the efficiency of their operations. Among the other added benefits to employers, the attractiveness of their health benefits helps reduce the unwanted turnover of top workers.

Full-time active employees in the majority of states have access to various health insurance options. Many states offer a variety of plan types such as HMOs, PPOs, indemnity health plans, etc. to their active employees. As with plan types, premiums can vary substantially from plan to plan and state to state. While a few states pay the total monthly premium for each employee's tier of coverage, most states allocate specified dollar amounts to contribute to each employee's monthly health premiums.

Regardless of how a state employee's health premiums are paid, rising health costs are driving premiums higher both in South Carolina and across the nation. To assess the impact of cost trends on plan premiums and to compare South Carolina's State Health Plan Standard Option to other states, the South Carolina Budget and Control Board's Employee Insurance Program conducted its annual survey.

To conduct our analysis, information was gathered on each state's most populated non-HMO plan and/or the plan most similar to the State Health Plan's Standard Option. The following report presents the findings of our comparative analysis of each state's premium rates in effect on January 1, 2003.

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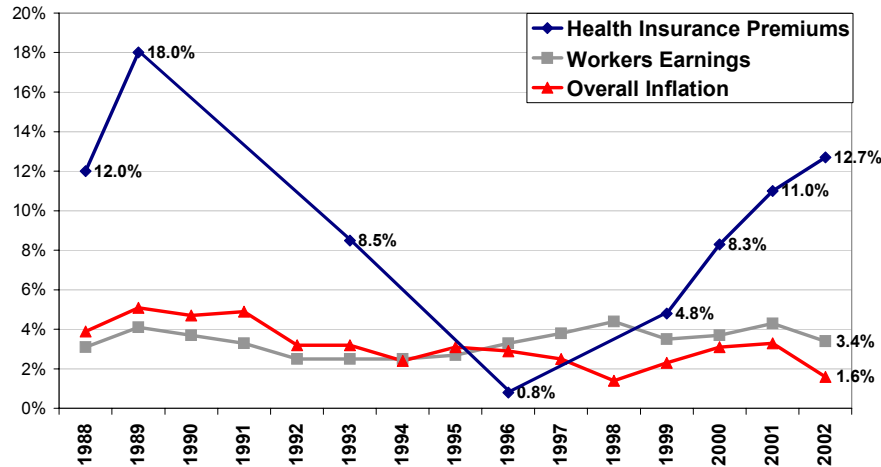
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CHANGES IN 2003

Unlike 2002, the State Health Plan's (SHP) plan design did not change for the 2003 plan year. However, as costs continued to climb, the Employee Insurance Program (EIP) increased health premiums. As we will see in the cost sharing and premium growth trends, South Carolina's growth in premiums in 2003 was a year behind most of the South region and the nation.

ACROSS THE NATION

INCREASES IN HEALTH INSURANCE PREMIUMS COMPARED TO OTHER INDICATORS, 1988 - 2002



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

OUTLOOK FOR THE FUTURE

Taken from Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002

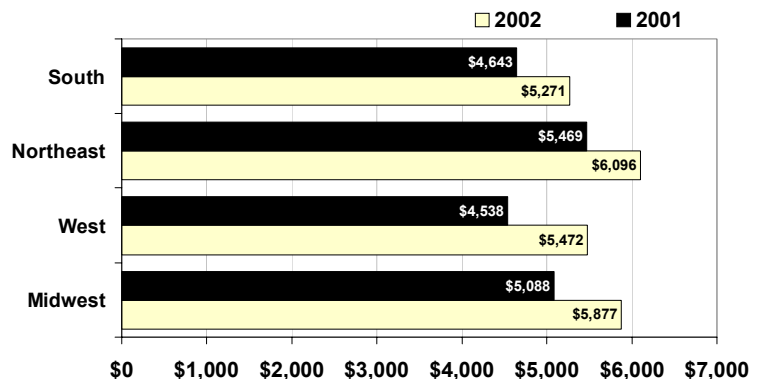
This year's survey shows that multiple years of accelerating premium growth and a weakened economy may have begun to erode the coverage improvements of the past few years. The survey raises a cautionary note, with fewer small employers appearing to be offering health benefits (61%). A majority of employers (53% of all firms and 65% of large firms with 200 or more employees) report that health insurance is the benefit that causes the

greatest cost concern, and employers (61%) remain very or somewhat worried that the cost of health insurance will increase faster than they can afford. These results have held steady over the last few years. Despite concerns over increasing costs, however, less than 1% of firms report that they are very likely to stop offering health benefits in the near future.

TOTAL HEALTH BENEFIT COST PER EMPLOYEE BY REGION

Taken From Mercer National Survey of Employer-Sponsored Health Plans 2002

Health benefit cost varies significantly around the country due to regional differences in cost of living, type of industry, average wage, employer benefit practices, and health markets. Average cost is highest in the Northeast, at \$6,096, and lowest in the South, at \$5,271. Cost rose most sharply in the West, where employers experienced an average increase of 20.6 percent.



SURVEY METHODOLOGY

The tier structure of health plans varies from state to state. The South Carolina State Health Plan (SHP) operates under a “four-tier” structure, which means that contributions vary according to four different levels of coverage: Employee Only (EO), Employee/Spouse (E/S), Employee/Children (E/C), and Full Family (FF). Many states use two-, three-, or four-tier premium structures. A two-tier structure is defined primarily as one entailing Employee Only and Employee / Dependent coverage levels. A three-tier structure entails Employee Only, Employee / Dependent, and Full Family coverage.

The tier structure has a significant impact on the contribution levels. In the case of a two-tier structure, the plan is typically spreading the cost of dependent coverage across all employees with dependents which results in employees covering only a spouse or dependents paying higher rates than an equivalently-priced plan with a four-tier structure.

Composite Change

In order to conduct our comparative analysis of plan rates, we calculated composite employer, employee, and total contribution rates for each state. To do so, we took the percentage of South Carolina Employee Insurance Program (EIP) health subscribers in each coverage level and applied those percentages to each state’s rate for that coverage level.

In past years, our coverage level percentages were based solely on active subscribers covered by EIP. For 2003, we have decided to utilize total health subscribers insured through our office and utilize the current year’s coverage levels when comparing current and previous years. This explains the

difference in composite rates from previously published years.

The percentages for each coverage level, as of January 2003 are:

Employee Only (EO) – 56.776%
 Employee / Spouse (E/S) – 14.756%
 Employee / Children (E/C) – 15.664%
 Full Family (FF) – 12.804%

In cases where states do not utilize a four-tier structure, the rate in which an employee would pay for the equivalent coverage under the four-tier structure was utilized in calculating the composite rates.

2003 SURVEY SAMPLE

South Carolina Employee Insurance Program Survey of State Employee Health Insurance Programs



CONTACT INFORMATION

Agency/Organization: _____
 Address: _____
 City: _____ State: _____ Zip: _____
 Contact Name/ Title: _____
 Phone: _____
 Department: _____

PLAN STRUCTURE & RATE INFORMATION

- What type of structure does your state use to categorize active employee subscribers into different premium groups (tiers)? (2-tier, 3-tier, or 4-tier)
 For example: (subscriber only, subscriber/spouse, subscriber/child(ren), full family) = 4-tier
- What will your indemnity plan's rates be as of January 1, 2003 for each of these different tier groups? If you do not have an indemnity plan, please use the plan with the most active subscribers enrolled and indicate the plan's type below (i.e. PPO, POS, HMO).
- These rates are in effect from _____ to _____

Tier (For example, subscriber only, full family, etc.)	Employee Contribution	Employer Contribution	Total Monthly

Thank you for participating in this survey. Please fax the completed survey to:
 Patrick A. Harvin, Program Coordinator
 EIP - Research & Statistics Unit
 FAX: (803) 737-0557
 PHONE: (803) 734-3577

If possible, please mail a copy of this plan's benefits guide to:
 Patrick A. Harvin, S.C. Employee Insurance Program, 1201 Main Street-Suite 300, Columbia SC 29201

SOUTH CAROLINA COMPOSITE

South Carolina's State Health Plan (SHP) continued to be quite competitive with most state health plans in the South as well as across the nation in 2003. While SHP premiums saw continued growth, so did similar state health plans across the nation.

In order to cope with rising costs, the SHP made several plan design changes while increasing both employee and employer premiums in 2002. The State decided for 2003 to maintain plan design while increasing employee premiums. Employee premium increases ranged from \$18.74 monthly for *employee* only coverage to \$37.48 monthly for *full family* coverage.

Total Composite Rate

The State Health Plan (SHP) saw its total composite premium grow \$23.90 (6.8 percent) in 2003 to \$375.59 monthly. The growth rate was lower than both the national (8.8 percent) and South region (9.9 percent).

When compared dollar for dollar, the SHP's total composite continued to trail the national and regional total composites. In fact, the

2003 SOUTH CAROLINA STATE HEALTH PLAN MONTHLY PREMIUMS

	Employee (Standard)	Employer	Total Rate
Employee	\$ 50.46	\$206.70	\$257.16
Employee/Spouse	\$151.50	\$404.12	\$555.62
Employee/Child(ren)	\$ 87.48	\$312.60	\$400.08
Full Family	\$196.60	\$466.72	\$663.32
Composite Rate	\$89.88	\$ 285.71	\$375.59

SHP's total composite was 77.2 percent of the national total composite as 40 states had a higher total composite than South Carolina.

South Carolina's total composite was only 83.9 percent of the South region's total composite. Out of 14 regional states, 10 states had a higher total composite.

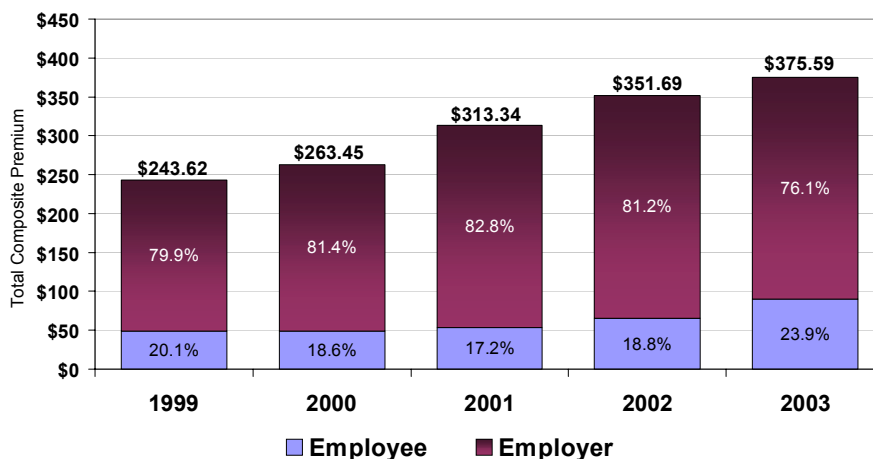
Employer Composite Rate

The SHP's employer composite premium rate was \$285.71 in 2003, unchanged from 2002. After last year's 10.2 percent employer composite growth rate, employer premiums were not changed from 2002 to 2003. The same was not the case in terms of regional and national employer composite's growth in 2003.

The South regional employer composite grew 12.5 percent while the national employer composite climbed 10.9 percent.

South Carolina's employer composite remained lower than both the national and regional employer composites. In fact, the SHP's employer composite was only 71.3 percent of the national employer composite and 86.3 percent of the regional

SHARE OF SOUTH CAROLINA TOTAL COMPOSITE: 1999 - 2003



See SOUTH CAROLINA
on Page 6

SOUTH CAROLINA COMPOSITE

South Carolina

Continued from Page 5

employer composite. Nationally, 38 of the 50 states had a higher employer composite than South Carolina. Regionally, 8 of the 14 South region states had a higher employer composite than the SHP.

Employee Composite Rate

Employees paid more for health coverage in 2003. The employee composite for the SHP in 2003 was \$89.88, a 36.2 percent increase from 2002. The regional employee composite rose 2.7 percent in 2003 while the national employee composite remained unchanged.

South Carolina's employee composite remained competitive with both the regional and national composites. The \$89.88 employee composite was only 80.8 percent of the regional composite and 6.4 percent higher than the national composite. Only 5 of the other 13 regional states had a lower employee composite than South Carolina while 20 other states across the nation had a higher employee composite.

How SOUTH CAROLINA COMPARES IN 2003

SHP Composite Total Rate

40 of 50 States Have Higher Rate
10 of 14 Regional States Have Higher Rate

SHP Composite Employer Contribution Rate

38 of 50 States Have Higher Rate
8 of 14 Regional States Have Higher Rate

SHP Composite Employee Contribution Rate

20 of 50 States Have Higher Rate
8 of 14 Regional States Have Higher Rate

The 1990's

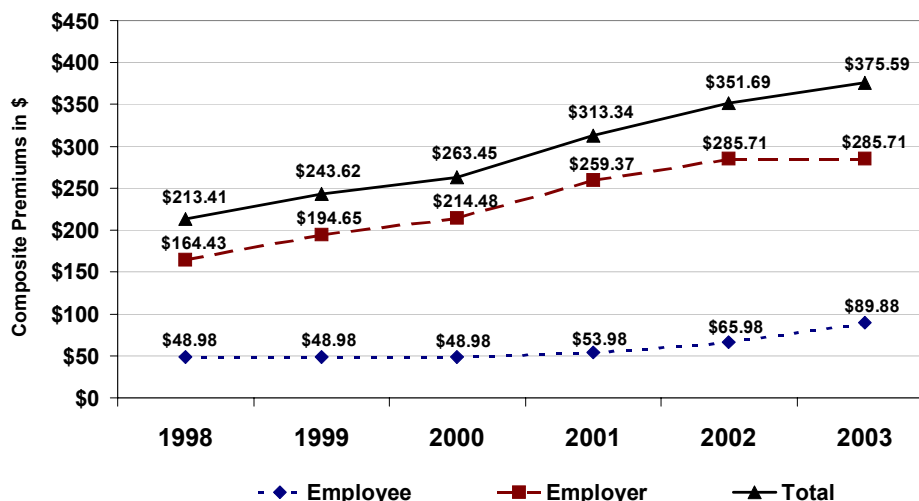
For the majority of the 1990's, employee premiums saw little growth with employers paying for premium growth. In fact, employees enrolled in the SHP did not see their health premiums rise from January 1991 to December 2000. Employers, however, did see some premium growth during this period, averaging 3.0 percent annually.

The Last 5 Years

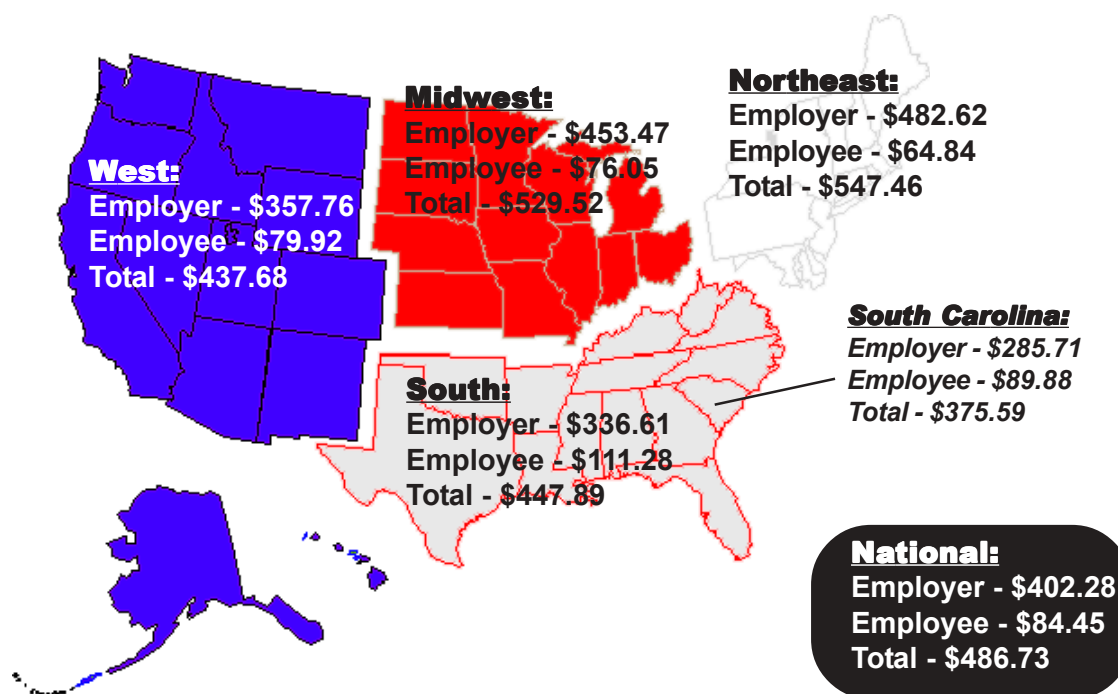
Premium growth has picked up within the last 5 years. Both the employee and employer

composites have been impacted. Growth in the employee composite averaged 13.7 percent annually from 1999 through 2003. The employer composite averaged 11.9 percent annually during the same period. In all the state's total composite premium has grown an average of 12.1 percent the last 5 years.

SOUTH CAROLINA PREMIUM COMPOSITE RATES: 1998 - 2003



REGIONAL COMPOSITES



State government health plans vary across the country in ways such as plan design, plan premiums and so on. While many cover both active and retired subscribers and dependents, some states have different health programs for these groups. To facilitate an analysis of regional trends across the nation, we divided the country into 4 regions: South, Northeast, Midwest, and the West. While many similarities exist across regions, each has distinct trends that can be identified.

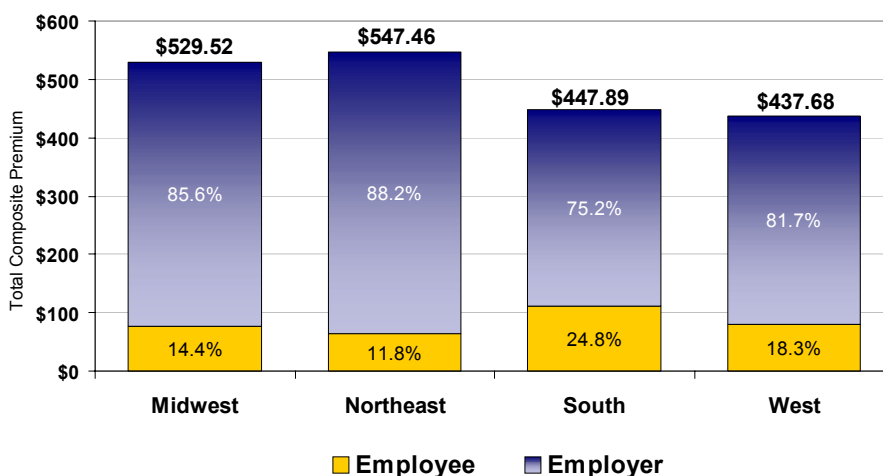
Regional Total Composite

The highest regional composite was the Northeast's \$547.46. The Midwest's total composite premium of \$529.52

ranked second followed by the South's \$447.89 and the West's \$437.68.

See Regional on Page 8

2003 EMPLOYEE / EMPLOYER SHARES OF REGIONAL TOTAL COMPOSITES



REGIONAL COMPOSITES

Regional

Continued from Page 7

Over the past 5 years, the Northeast region has posted a higher total composite premium than the rest of the nation. In terms of growth rate, however, the Midwest's 12.6 percent average annual total composite growth rate has led the nation. The South's 9.8 percent average growth rate ranked second while the West's 9.7 percent growth rate was followed by the Northeast's 8.2 percent average total composite growth rate.

Employee / Employer Share

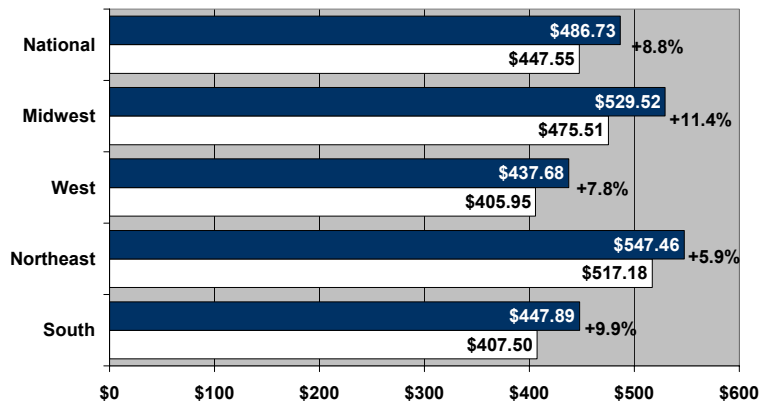
The mix between employee and employer share of total premiums varied from region to region in 2003. From the data, we see that the regions posting higher total composite premiums passed more of the premium cost to employers. Employers in the South region paid a smaller share of the region's total composite premium than any other region, 75.2 percent. Northeast employers paid the largest share of the regional total composite premium with 88.2 percent.

Beginning on the following page, we will look at premium trends by individual regions.

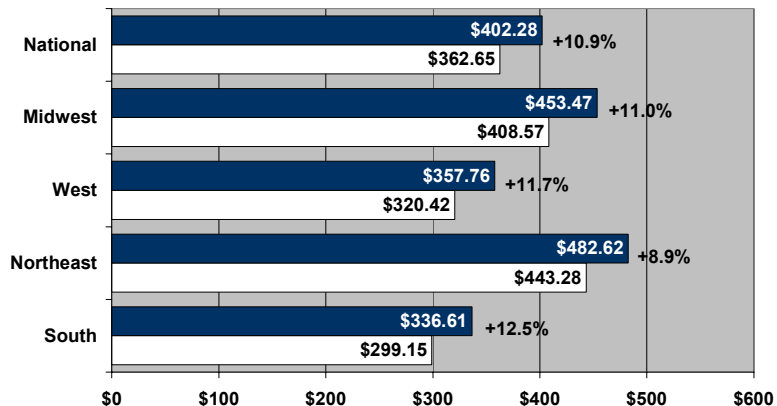
2003 & 2002 REGIONAL COMPOSITE AVERAGES

■ 2003 Rates □ 2002 Rates

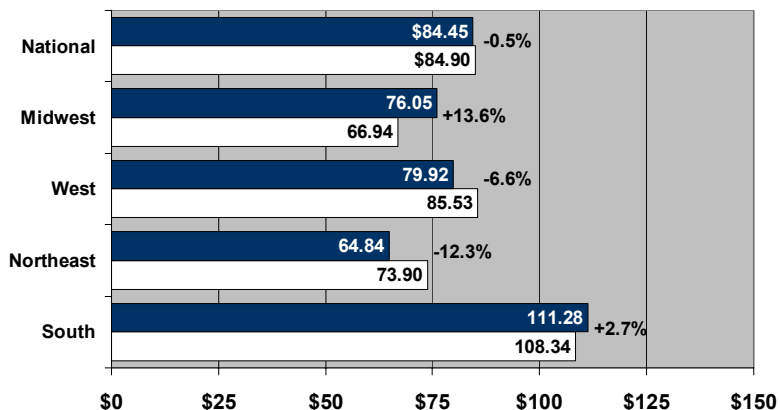
Total Composite Rates



Employer Composite Rates



Employee Composite Rates

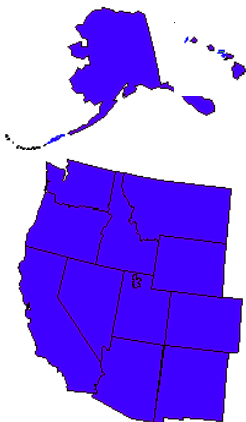


REGIONAL COMPOSITES

WEST

13 States:

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming



West:

Employer - \$357.76
Employee - \$79.92
Total - \$437.68

The West region had the lowest total composite premium in the nation in 2003, 10.0 percent lower than the national total composite rate. The West's total composite of \$437.68, was a 7.8 percent increase from \$405.95 in 2002. In terms of the 5-year growth trend, the West's total composite grew an average 9.7 percent annually.

The growth cited in the West's total composite is attributable to growth in the West's employer composite rate. Western states saw an employer composite growth rate of 11.7 percent in 2003. The employer composite climbed from \$320.42 in 2002 to \$357.76 in 2003. States in the West have seen the employer's portion of premiums grow an average 9.0 percent annually the past 5 years.

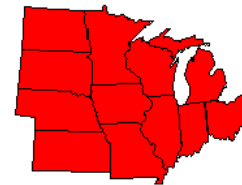
Employees in the West had an employee composite rate of \$79.92 in 2003, down 6.6 percent from 2002. However, employee composite rate growth has averaged 13.4 percent annually the past 5 years.

For the second consecutive year, the West region had the lowest total composite rate. The region's employer composite rate ranked the second lowest in the nation as its employee composite ranked the third lowest in the nation. The region's total composite remains highly competitive due to the region's employer/employee premium shares. The West's employers paid 81.7 percent of the total composite rate in 2003.

MIDWEST

12 States:

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin



Midwest:

Employer - \$453.47
Employee - \$76.05
Total - \$529.52

The Midwest region had the highest total composite growth rate among the national regions. The Midwest posted a total composite rate of \$529.52 in 2003, up 11.4 percent from \$475.51 in 2002. Over the past 5 years, the Midwest's total composite rate has grown an average 12.6 percent annually. This represents the highest 5-year trend in annual growth rates among the regions.

Midwest states had an employer composite rate of \$453.47 in 2003, an 11.0 percent climb from \$408.57 in 2002. The employer composite totaled 85.6 percent of the total composite rate, the second largest employer share behind the Northeast's 88.2 percent share of the region's total composite. Over the past 5 years, the Midwest's employer composite rate's annual growth has averaged 12.6 percent annually.

Employees in the Midwest had an employee composite rate of \$76.05 in 2003, up 14.7 percent from \$66.94 in 2002. The 2003 employee composite growth rate was the highest cited among the regions. The region's 5-year employee composite growth rate average of 14.7 percent annually ranked first among regions.

Composite growth rates in the Midwest continued to outpace the national averages in 2003. If the 5-year trends observed remained constant, the region's total composite premium will be the highest in the nation in 2004.

REGIONAL COMPOSITES

NORTHEAST

11 States:

Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont



Northeast:

Employer -	\$482.62
Employee -	\$64.84
Total -	\$547.46

Composed of 11 states, the Northeast region annually posts total composite premiums higher than the national average. The trend continued in 2003 as the region's \$547.46 total composite premium was 12.5 percent higher than the national average. The Northeast's total composite grew 5.9 percent in 2003 and had an average annual growth rate of 8.2 percent the past 5 years.

States in the Northeast contributed more towards total premiums than any other region in the nation, contributing 88.2 percent of the total composite premium. The Northeast's employer contribution led the nation at \$482.62 in 2003, up 8.9 percent from \$443.28 in 2002.

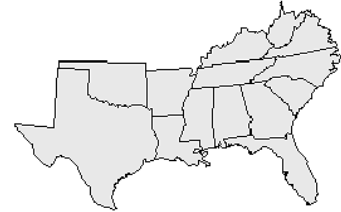
Employees in the Northeast posted a regional employee composite rate of \$64.84, a 12.3 percent drop from 2002. The region's annual employee composite growth averaged 7.0 percent over the past 5 years.

The Northeast continues to lead the nation in both total and employer composite rates. However, the Northeast's 5-year rate growth trend indicates that the other regions are experiencing larger growth rates. If regional growth rates continue along the past year trend, the Northeast's total composite rate will be eclipsed by the Midwest in 2004.

SOUTH

14 States:

Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia



South:

Employer -	\$336.61
Employee -	\$111.28
Total -	\$447.89

The South region is composed of 14 states, including South Carolina. The region had the second lowest total composite rate at \$447.89 in 2003, a 9.9 percent increase from \$407.50 in 2002. Over the past 5 years, the South's average annual total composite rate grew 9.8 percent annually.

Southern states had an employer composite rate of \$336.61 in 2003, a 12.5 percent increase from \$299.15 in 2002. The 12.5 percent growth rate topped 2003 regional employer composite growth as well as exceeded the national average of 10.9 percent. In terms of the 5-year employer composite growth trend, the South's average annual growth rate of 10.0 percent was the second highest seen in the nation.

Employees in the South had the largest regional employee composite in the nation in 2003, at \$111.28. The employee composite rate was up 2.7 percent from \$108.34 in 2002. Over the past 5 years, the employee composite's annual growth rate averaged 9.4 percent.

Premium sharing was more common in the South region. The South's employers paid 75.2 percent of the total composite rate, the lowest share in the nation, while employees picked up the remaining 24.8 percent.

NATIONAL COMPOSITES

The national total and employer composite rates rose in 2003 while the national employee composite rate remained relatively unchanged. While state health plans across the nation addressed rising health costs in various ways, the composite trend indicated that employer premiums rose while employee premium growth was flat.

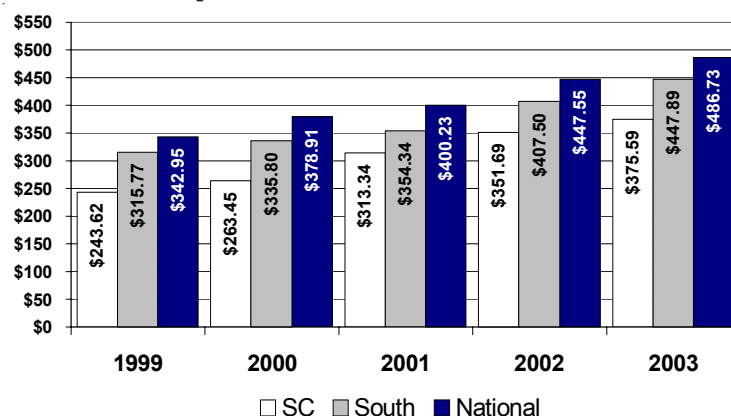
The national total composite premium was \$486.73 in 2003, an 8.8 percent increase from 2002. The 5-year average growth trend for the total composite premium was 10.0 percent annually.

From a national perspective, state health plans shifted the majority of premium growth to employers, who saw their employer composite rate rise 10.9 percent to \$402.28 in 2003. The employer composite composed a larger share (82.6 percent) of the total composite premium compared to 81.0 percent in 2002. A double-digit increase in the employer composite was realized in three of the four national regions. The employer composite's 5-year annual growth trend was 9.9 percent annually.

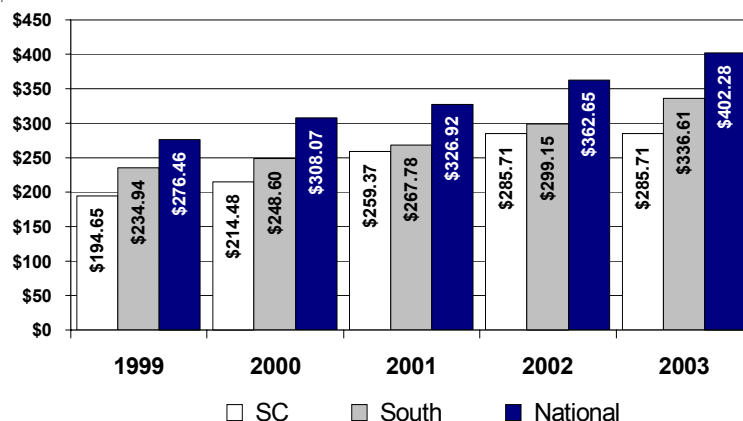
Unlike both the total and employer composite rates, the national employee rate remained basically unchanged from 2002 at \$84.45. In 2 of the 4 national regions, the employee composite rate actually declined at least 6.6 percent. The employee composite also composed a lower 17.4 percent of the national total composite rate in 2003 compared to 19.0 percent in 2002.

Composite Rate Trends: 1999 to 2003

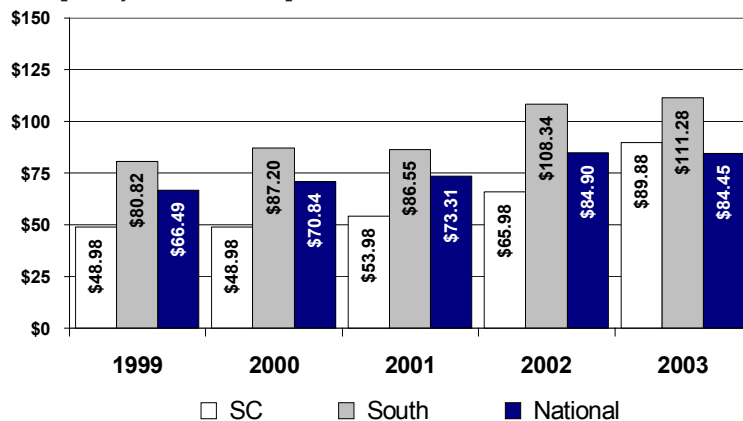
Total Composite Rates



Employer Composite Rates



Employee Composite Rates



ACKNOWLEDGEMENT

The Employee Insurance Program would like to personally thank each state's dedicated benefit program staff for their cooperation and participation in our survey. Because of your assistance, we again had 100 percent participation from the 50 states.

Again, thanks for making this survey a success.



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